



U.S. Department of Justice

*United States Attorney
District of Hawaii*

Room C-242, United States Courthouse
300 Ala Moana Blvd., Box 50183
Honolulu, Hawaii 96850

808/546-7170

April 26, 1984

Barbara Ward, Esq.
Civil Division
U. S. Department of Justice
10th & Constitution, N.W.
Room 3509
Washington, D. C. 20530



STAT

Re: Ronald R. Rewald

Dear Barbara and Bill:

Enclosed are two newspapers re Ronald Rewald dated
April 25 and 26, 1984.

Very truly yours,

DANIEL A. BENT
United States Attorney
District of Hawaii

By _____
JOHN F. PEYTON, JR.
Assistant U. S. Attorney

Enclosures

JFP/ljh

CIA agent who used Rewald firm as a cover 'identified' at meeting

Walter Wright
Advertiser Staff Writer

A man calling himself "Richard Cavannaugh" was the CIA agent who used the firm of Bishop Baldwin Rewald Dillingham and Wong as a cover beginning in 1979, according to reliable information received by The Advertiser.

He is also the agent who took all his money, less than \$200,000, out of his Bishop Baldwin account when the CIA became alarmed about a tax investigation of company chairman Ronald Rewald. The Advertiser has learned.

Later, more than \$4 million came to the company from other investors while it continued to operate.

Bankruptcy administrator Thomas Hayes said yesterday he still has no proof the CIA is liable for any losses suffered by Bishop Baldwin. But he said he will sue the intelligence agency if he can prove it. Bishop Baldwin was a fraud and did nothing to stop it.

During a bankruptcy creditors' hearing yesterday, Hayes again insisted Rewald was running a ponzi scheme, in which new investor money is used to pay interest on old investments. Hayes angrily denied charges that the bankruptcy proceeding itself caused the company to collapse last August.

When Rewald's attorney, Robert Smith, said that if it weren't for the bankruptcy petition, it would still be "business as usual" at Bishop Baldwin, Hayes exploded.

"Business as usual, Hayes stormed, means stealing more money."

Hayes and his attorneys said indi-

vidual investors probably have better claims against the CIA, if any exist, than the company does.

"Cavannaugh" was named yesterday in the creditors' meeting by one of the investors who already is suing the CIA on grounds the agency lent credibility to the Bishop Baldwin operation and caused investors to lose money.

The allegation about "Cavannaugh" by investor Ted Frigard was one more turn of the screw to try to force the CIA to settle with investors, or refute claims that the CIA ran the company or at least should have known what was going on.

"Cavannaugh" is not the agent's real name. But Frigard said he and many others know the real name. And Frigard agreed with an official who said yesterday that lives may be at stake if the agent is actually identified.

Rewald, facing charges he defrauded investors, insists the firm was run by the CIA as an intelligence cover, and that the CIA is responsible for its collapse. The CIA acknowledges a slight involvement with Rewald, but denies it established or ran the company.

Frigard, in a prepared statement presented to bankruptcy trustee Rey Grauly at the creditors' meeting, said a former receptionist for the company said on a local radio station last week that it was commonplace for CIA personnel to visit Rewald. Frigard quoted the receptionist as naming "CIA agent Richard Cavannaugh (sic) also known as James T. Bishop, one of the founders" of the company.

Questioned later, Frigard said

other independent sources confirmed to him that Cavannaugh and Bishop were the same man, a CIA agent with another name. He declined to reveal the real name of the agent.

The Advertiser has learned that "Richard Cavannaugh" was one name used by a man who in 1979 asked Rewald to give him stationery identifying him as a representative of a Bishop Baldwin "subsidiary," CMI Investment Corp.

And documents reviewed by The Advertiser, together with accounts from a reliable source, indicate that "Cavannaugh" was indeed a bona fide CIA agent who used Bishop Baldwin as a cover.

In July 1979, "Cavannaugh" wrote to Rewald from a Sherman Oaks, Calif., address, but in an envelope post-marked Prince Georges, Md. In the letter, "Cavannaugh" thanked Rewald "for the extraordinary amount of time and effort you devoted to my visit earlier this month."

He said he was able to locate a small office "in a building where an old friend also has an office, and arranged for a phone in my name."

"Cavannaugh" asked for a "minimum order" of stationery for himself. The stationery, prepared in the format "Cavannaugh" suggested, bore the letter head CMI Investment Corporation, showed the "West Coast representative" as Richard P. Cavannaugh at the Sherman Oaks address, and described CMI as "a subsidiary of Bishop Baldwin, Rewald, Dillingham & Wong."

The existence of an agent who used Bishop Baldwin as a cover and

also invested some of his own funds was revealed in news stories several weeks ago. The link between "Cavannaugh" and the investment account withdrawn from Bishop Baldwin last spring is borne out by comparison of handwriting of "Cavannaugh" and the account holder.

The CIA moved to get "Cavannaugh" clear of Bishop Baldwin after Rewald complained to the CIA on Jan. 18, 1983, that the IRS investigation of Rewald was threatening the security of several CIA covers connected to the firm.

The CIA asked the IRS to halt the investigation long enough for the CIA to check on its relationship to the company, it has been reported. During that period, about a month, the CIA told "Cavannaugh" he had a conflict of interest and had to withdraw his money from the company.

Later, using another name, "Cavannaugh" wrote to Rewald: "Dear Ron,

"Thanks for getting everything closed out for me. Unfortunately from my view but it at least clears the air with my home office who are now seemingly satisfied that there is no 'apparent' conflict of interest, but must be Simon pure."

He went on to say that "I also assume that your 'tax problem' with CMI has all been taken care of."

"Pleased to see from some of the recent literature the company has been sending out that BBRDW is further expanding its reputation. You must be very pleased and proud of the company's progress over the last few years."

The Honolulu Advertiser
Thursday, April 28, 1984 A-3

The Honolulu Advertiser
 ★★ Wednesday, April 25, 1984 A-3

Rewald seeks investors' backing — this time in suit against CIA

By Walter Wright
 Advertiser Staff Writer

Ronald Rewald, facing criminal charges of defrauding investors in his company, appeared before 50 of them at the Royal Hawaiian Hotel last night and listened while his lawyer invited them to join Rewald in a legal assault on the CIA.

Two groups of investors, about 28 or so, have already agreed to join forces with Rewald by combining their efforts in multimillion-dollar damage suits against the CIA.

Their lawyers said last night that there are potential conflicts of interest, but that investors will do better by joining with Rewald. "There really is no case (against the CIA) without his (Rewald's) assistance," said attorney Rod Klein of California, who represents Rewald associate Robert Jinks and a small group of investors.

San Francisco attorney Melvin Belli, representing another batch of investors, pointed at Rewald and said:

"He's not hiding out, he's not in shame." Rewald, Belli said, couldn't talk at the moment, "but when it comes time to go to trial, he's going to answer every question."

"The CIA has the money and made the money through this venture," Belli said. He said he will join investors at a creditors' meeting in bankruptcy court at 9 a.m. today urging that bankruptcy administrator Thomas Hayes sue the CIA.

Rewald contends that he was a covert agent for the CIA, and that the agency ran his company — Bishop, Baldwin, Rewald, Dillingham and Wong — as a cover for intelligence operations.

The CIA acknowledges a slight contact with Rewald, whose company reportedly was used to provide some mail, telephone and



Advertiser photo by Charles Okamura

San Francisco attorney Melvin Belli speaks at last night's session. His client, Ronald Rewald, is sitting behind him.

business cover for at least one bona fide CIA agent. But the agency says it did not set up or run Bishop Baldwin.

Robert Smith, Rewald's Honolulu attorney, urged formation of a "bandwagon, a steamroller" to force the CIA into court on the case.

He said investors should realize that the bankruptcy proceedings

for the company will produce little, and that the suits against the CIA are the way for them to recover.

All the lawyers said Rewald has promised that if he recovers anything personally in any suits, he will use the money first to try to make up any shortfall in investors' recovery.